Understanding Consumers’ Decision-Making in Loyalty Programs with Regulatory Focus Theory

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Abstract
The purpose of this study is to discuss how regulatory focus theory (Higgins, 1997, 1998, 2002) – a theory of motivation and self-regulation that has been rapidly gaining prominence in consumer research (Aaker & Lee, 2001; Briley & Wyer, 2002; Pham & Avnet, 2004; Zhou & Pham, 2004; Pham & Higgins, 2005) – can be drawn upon to explain consumer decision-making in loyalty programs. First, a brief review of the major tenets of the theory, which proposes a fundamental distinction between two modes of self-regulation called promotion and prevention is presented. Second, the concept of loyalty programs and a review of the main decision-making processes consumers undergo in the programs are shown. Third, drawing on existing empirical evidence and new conceptual analyses, a series of theoretical propositions about the effects of promotion and prevention on consumer decision-making in loyalty programs is discussed. From the analyses, three key questions arise: (1) What is the desired end-state of a consumer in a LP?; (2) What are the means to achieving the desired end-state? and; (3) What is the dominant system that influences consumer decision-making in a LP? The review of literature suggests that consumers’ desired end-state in loyalty programs may be of utilitarian benefits (monetary savings and convenience), hedonic benefits (exploration and entertainment) and symbolic benefits (recognition and social benefits) (Mimouni-Chaabane & Volle, 2009) and the first hypotheses of the study derive from this assumption, that utilitarian benefits should enhance prevention-focused regulation, whereas hedonic and symbolic benefits should enhance promotion-focused regulation. The means to achieving desired end-states in loyalty programs are discussed as the strategic inclinations consumers use to attain the benefits of the programs. Concerning the ease of use of the program, promotion-oriented individuals should find it easier to accumulate points and redeem, whereas prevention-oriented individuals should find it more difficult to accumulate points and redeem. Another prediction of this study is that promotion-focused individuals will accumulate points with greater speed though not paying much attention to the attainment of the desired reward; whereas prevention-focused individuals will accumulate points in a lower speed though paying more attention to the attainment of the desired reward. And the final prediction is that promotion-focused individuals should be more influenced by the attainting of the desired reward (positive affective cues) than by the effort required by the program (negative affective cues), whereas prevention-focused individuals should be more concerned by the effort required by the program (negative substantive information) in detriment to the desired reward (positive substantive information). This study hopes to inspire formal empirical testing of the generated hypotheses in actual loyalty programs.
1. Introduction

Regulatory Focus Theory – RFT (from this point on) (Higgins, 1997, 1998) is conceptualized in terms of strategic means for self-regulation. Self-regulation toward desired end-states – approach oriented or avoidance oriented. Self-regulation dominated by strategic means that are approach oriented is called promotion-focused, and self-regulation dominated by strategic means that are avoidance oriented is called prevention-focused. According to RFT, promotion focused self-regulation is more likely in the pursuit of goals that are related to advancement and accomplishment, whereas prevention focused self-regulation is more likely in the pursuit of goals that are related to security and protection. Promotion focused self-regulation is characterized by greater eagerness, that is, they are primarily concerned with insuring “hits” and minimizing “errors of omission”. In contrast, prevention focused self-regulation is characterized by greater vigilance, that is, they are concerned with insuring “correct rejections” and minimizing “errors of commission” (Crowe & Higgins, 1997; Pham & Higgins, 2005). Unlike most other theories of motivation, RFT is not cast in terms of desired outcomes – desired outcomes that can be almost infinitely diverse (e.g., choice accuracy, impression management, etc.) – but in terms of strategic inclinations for attaining these outcomes, thus, Pham and Higgins (2005) justify studying consumer decision-making along these strategic inclinations for their epistemological advantage of parsimony.

Loyalty programs – LPs (from this point on) started in the early 1980s when airline companies introduced bonus programs for loyal customers by collecting air miles that they could trade for free flights or rewards (Wansink, 2003). Millions of consumers possess and use reward or loyalty cards. Thousands of companies operate such loyalty schemes. The implicit belief is that consumers can become more loyal by their membership in such schemes with their possession and use of a loyalty card. However, customers do not redeem a substantial proportion of points in loyalty programs. Academic researchers have shown less concern with the strategic inclinations to attain the rewards, business practitioners, however, are well aware of the potential impact of such schemes on motivations, behaviors, and perceptions (e.g., Humby et al., 2003, p. 215), noting, for instance, that “the motivation to burn means a motivation to earn”.

The literature shows that there is much academic discussion over the need for (Reinartz & Kumar, 2002), impact of (Dowling & Uncles, 1997; Noordhoff, Pauwels, & Oderkerken-Schröder, 2004), purpose of (Hart, Smith, Sparks, & Tzokas, 1999) and future for (Capizzi, Ferguson, & Cuthbertson, 2004; kumar & Shah, 2004; Uncles, Dowling, & Hammond, 2004) loyalty schemes. Until now, there were no academic studies explaining consumers’ strategic inclinations for attaining desired outcomes in LPs. Thus, this paper proposes the theoretical investigation of a self-regulation theory to explain consumer decision-making in loyalty programs.

From the review of the main available literature for RFT and LPs, three key questions arise: (1) What is the desired end-state of a consumer in a LP?; (2) What are the means to achieving the desired end-state? and; (3) What is the dominant system that influences consumer decision-making in a LP? To begin the discussion, a brief review of the major tenets of RFT and consumer decision-making opens the analyses. Then, the concept of loyalty programs and a review of the main decision-making processes consumers undergo in the programs are shown. To sum, a series of theoretical propositions about the effects of promotion and prevention self-regulation modes on consumer decision-making in LPs are presented and finally conclusions, implications and suggestions for further research are shown.
2. Regulatory Focus Theory and Consumer Decision-Making

As Freud once stated “It seems that our entire psychical activity is bent upon procuring pleasure and avoiding pain, that is automatically regulated by the PLEASURE-PRINCIPLE” (Freud, 1950, p. 365). Freud described motivation as “hedonism of the future”, referring to the principle of regulatory anticipation. To discover the true nature of approach-avoidance motivation, Higgins (1997) suggests that we need to move beyond this hedonic principle to the principles that underlie the different ways that it operates.

The theory of self-regulatory focus begins by assuming that the hedonic principle should operate differently when serving fundamentally different needs, such as the distinct survival needs of nurturance (e.g., nourishment) and security (e.g., protection). As the hedonic principle suggests, children must learn how to behave in order to approach pleasure and avoid pain, but what is learned about regulating pleasure and pain can be different for nurturance and security needs. RFT proposes that nurturance-related regulation and security-related regulation differ in regulatory focus (Higgins, 1997). In self-discrepancy theory (Higgins, 1987), the author describes how certain modes of caretaker-child interaction increase the likelihood that children will acquire desired end-states. These desired end-states represent either their own or significant others’ hopes, wishes, and aspirations for them (strong ideals) or their own or significant others’ beliefs about their duties, obligations, and responsibilities (strong oughts). RFT proposes that self-regulation in relation to strong ideals versus strong oughts differs in regulatory focus. Ideal self-regulation involves a promotion focus, whereas ought self-regulation involves a prevention focus (Higgins, 1997).

Promotion and prevention focus are motivational states; they are states of an individual during goal pursuit. Still, it is noted that people’s chronic promotion and prevention orientations are theoretically independent. Hence, individuals can be high in promotion focus only, high in prevention focus only, high in both, or low in both. States of promotion and prevention focus can also be determined by situational factors. For example, task instructions framed in terms of “gains” versus “non-gains” tend to activate a promotion focus, whereas task instructions framed in terms of “losses” versus “non-losses” tend to activate a prevention focus (e.g., Shah & Higgins, 1997; see also Lee & Aaker, 2004; Zhou & Pham, 2004). In addition, activation or priming of individuals’ ideals or oughts can temporarily increase their accessibility, thereby creating momentary states of promotion or prevention focus, respectively (e.g., Higgins, Roney, Crowe, & Hymes, 1994; Liberman, Molden, Idson, & Higgins, 2001; Pham & Avnet 2004). Thus, the concept of regulatory focus is broader than just socialization of strong promotion-focus ideals or prevention-focus oughts (Higgins, 1997).

People are motivated to approach desired end-states, which could be either promotion-focus aspirations and accomplishments or prevention-focus responsibilities and safety. But within this general approach toward desired end-states, regulatory focus can induce either approach or avoidance strategic inclinations. Because a promotion focus involves a sensitivity to positive outcomes (their presence and absence), an inclination to approach matches to desired end-states is the natural strategy for promotion self-regulation. In contrast, because a prevention focus involves a sensitivity to negative outcomes (their absence and presence), an inclination to avoid mismatches to desired end-states is the natural strategy for prevention self-regulation (Higgins et al., 1994).

In the next session of this study, the consumer decision-making process is discussed along with a series of propositions empirically tested by past researches.
2.1 Empirical Testing of RFT and Consumer Decision-Making Process

Pham and Higgins (2005) recently presented a series of propositions based on the standard stages of consumer decision-making, traditionally considered by consumer theory, on how differences in regulatory focus may affect consumer decision-making. Through a six steps model, progressing through: (1) problem recognition; (2) information search; (3) formation of a consideration set; (4) evaluation of alternatives; (5) choice/purchase, and (6) post-choice/post-purchase processes (e.g., Hoyer & MacInnis, 2003), the authors suggest several theoretical propositions, which some have already received empirical support in consumer research.

For instance, Crowe and Higgins (1997), Friedman and Förster (2001) and Liberman et al. (2001) found that in terms of extensiveness of search, during the information search step of the consumer decision-making model, more alternatives are generated and considered when people have a promotion focus than when they have a prevention focus. Crowe and Higgins (1997) also found that promotion triggers a more eager form of exploration, whereas prevention triggers a more vigilant form of exploration. Förster, Higgins and Bianco (2003) and Pham and Avnet (2004) concluded that eagerness should theoretically encourage the reliance on heuristic modes of judgment, which include the reliance on internal knowledge structures, in contrast, vigilance should encourage scrutiny of the environment and thus the reliance on external information (Bless, Schwarz, Clore, Golisiano, & Rabe, 1996, Förster, Higgins, & Strack, 2000). Pham and Avnet (2004) also found that, in persuasion, promotion-focused consumers were more influenced by positive affective cues (an attractive ad execution) than by negative affective cues (an unattractive ad execution), in contrast, prevention-focused consumers were more influenced by negative substantive information (weak product claims) than by positive substantive information (strong product claims).

Other empirical evidences come from the studies of Friedman and Förster (2001) and Chowdhury (2004) considering step three of the decision-making model, the formation of a consideration set. The studies show that holding the size of the set constant, the consideration sets of promotion-oriented consumers will be more heterogeneous (exhibit greater variety) than those of prevention-oriented consumers.

Of the six stages of the classic consumer decision-making process, it is the evaluation stage that has received the most attention from consumer researchers interested in RFT, although most of this work has been on persuasion as opposed to true decision-making (Pham & Higgins, 2005). According to a matching principle, attribute information seems to carry a greater weight on how the option is evaluated when the content of this information is compatible with the person’s regulatory focus than when it is incompatible. For example, attribute information related to hedonic and aspirational benefits (e.g., luxury, sensory gratification, aesthetic) carries a greater weight under promotion than under prevention, whereas attribute information related to utilitarian and necessary features (e.g., safety, protection) carries a greater under prevention than under promotion (Safer, 1998; Aaker & Lee, 2001; Wang & Lee, 2004). RFT also predicts that information related to gains and non-gains should carry a greater weight under promotion than under prevention, whereas information related to losses and non-losses should carry a greater weight under prevention than under promotion (Shah, Higgins, & Friedman, 1998; Zhou & Pham 2004; Lee & Aaker 2004). Another prediction is that under promotion, information related to eagerness should be more influential and persuasive than information related to vigilance, whereas, under prevention, information related to vigilance should be more influential and persuasive than information related to eagerness (Cesario, Grant, & Giggins, 2004, Spiegel, Grant-Pillow, & Higgins, 2004). Still at stage six of the classic consumer decision-making process, researches on consumer behavior suggest that promotion would increase the reliance on affective feelings toward the alternatives (especially promotion-consistent feelings), whereas
prevention would increase the reliance on substantive information about the alternatives, also according to the major heuristic of evaluation “How-do-I-feel-about-it?” (Schwarz & Clore, 1983, 1996). It appears that the activation of promotion makes people believe – correctly or incorrectly – that their feelings are diagnostic (Pham & Avnet, 2004). Finally, for the evaluation stage, Zhou and Pham (2004) observed a phenomenon that implied a “means-dictate-the-ends” in which states of promotion and prevention may be endogenously activated by the alternatives themselves.

The propositions about the effects of regulatory focus on choice are characterized by (a) the rules that are used to arrive at the chosen alternative; (b) the decision-maker’s preference for the status quo, default option, or choice-deferral; (c) the decision-maker’s attitude toward risk; and (d) the decision-maker’s sensitivity to the context of choice and preference for variety (Pham & Higgins, 2005). One empirically tested prediction is that in choices between the status quo and a new option, promotion will increase preference for the new option, whereas prevention will increase preference for the status quo (Liberman, Idson, Camacho, & Higgins, 1999). Another prediction is that, in choice, promotion will generally – but not always (as discussed further below) – trigger greater risk taking, whereas prevention will generally – but not always – trigger greater risk aversion (Zhou & Pham, 2004).

According to the compromise effect, an option has the tendency to gain disproportionate share of the market when presented as a middle-of-the-road, compromise option relative to other options in the choice set (Simonson, 1989). The next prediction is that the activation of prevention will magnify the compromise effect, compared to the activation of promotion (Briley & Wyer, 2002).

The final stage of the consumer decision-making process, post-choice assessment of the decision, has received empirical support for the prediction that, under promotion, decision successes should result in greater elation-related emotions (e.g., joy, cheerfulness, happiness), whereas decision failures should result in greater dejection-related emotions (e.g., sadness, disappointment, discouragement). Under prevention, decision successes should result in greater quiescence-related emotions (e.g., relief, calm, relaxation), whereas decision failures should result in greater agitation-related emotions (e.g., anxiety, tension, nervousness) (Higgins, Shah, & Friedman, 1997; Idson, Liberman, & Higgins, 2000).

The contextualization of LPs follows the discussion.

3. Customer Loyalty Programs

Although studies investigating the effects of card-loyalty programs and their tools are scarce, they show mixed results (Liberman et al., 1999; Sharp & Sharp, 1997). Moreover, the effectiveness of such programs has been questioned based on difficulties in altering established behaviors and cognitive associations with common types of reward systems (Dowling & Uncles, 1997). Notwithstanding their general adoption and popularity, doubts about the effectiveness of card-loyalty programs remain justified. It is still an open question whether and how LPs affect loyalty and eventually customer retention.

Dowling and Uncles (1997, p. 5), for instance, argue that to stand the best chance of success under tough market conditions, a LP must enhance the overall value-proposition of the product or service, this in turn will help to motivate buyers to make the next purchase of a product, and therefore support other aspects of the firm’s offensive and defensive marketing strategy. Kumar and Shah (2004) constructed an extensive framework for building and sustaining profitable loyalty, mainly through the redesign of reward mechanisms, timings, and types.

Noordhoff et al. (2004) measured the effectiveness of customer loyalty schemes through the possession of a loyalty card. The comparative findings demonstrate that these
programs do indeed impact on attitudinal as well as behavioral store loyalty, as long as the number of alternative programs is limited and customers over time have not become accustomed to loyalty cards. Also, De Wulf and Oderkerken-Schröder (2003, p. 106) found “strong empirical support for the potential competitive advantage resulting from the practice of rewarding customers for their patronage” but never considered whether such rewards are actually desired or attained.

Other studies tested empirically through various methodologies the reliance on LPs main effects. For example, Roehm, Pullins and Roehm Jr. (2002) investigate the effects of LPs on loyalty to packaged goods brands. Findings from a series of experiments indicate that the incentive that is offered by the program succeeds or fails at building brand loyalty. The results suggest that incentives that have overlap with brand association, which the authors term cue-compatible incentives, can prompt rehearsal that increases the accessibility of favorable brand associations. This, in turn, helps boost postprogram loyalty. At the same time, incentives that are tangible or concrete can undermine postprogram loyalty. This seems to occur because elaboration is attracted to the incentive at the expense of the brand. Incentive associations may thus gain in accessibility and interfere with access to brand associations.

Kivetz, Urminsky and Zheng (2006) used the goal-gradient hypothesis to explain effort investment as a function of the proportion of original distance remaining to the goal in a real café reward program and internet web site rating. The study found that customers purchase coffee more frequently the closer they are to earning a free coffee, as well as internet users who rate songs in return for reward certificates and visit the rating web site more often and persist longer in the rating effort as they approach the reward goal. The assumption is that the illusion of progress toward the goal induces purchase acceleration and a stronger tendency to accelerate toward the goal predicts greater retention and faster reengagement in the program.

In recent work, Smith and Sparks (2009) researched consumers’ motivations in retail loyalty scheme points redemption, through a qualitative study of participants in a major UK retail loyalty scheme. The study identified planned behavior towards redemption goals, plus interruptions by various circumstances and events also found that self-gifting for reward and/or therapy purposes is common. Redemption activities have positive implications for consumer perceptions of the scheme, the retailer and appear to enhance future purchasing behavior. In another recent study, Mimouni-Chaabane and Volle (2009) investigated the various perceived benefits of LPs using a multi-benefit framework based on utilitarian, hedonic, and relationship literature. Two quantitative studies provided a 16-item scale that measures five types of perceived benefits: monetary savings, exploration, entertainment, recognition, and social benefits. The authors found that the five dimensions have different impacts on satisfaction with the program, loyalty to the program, and perceived relationship investment of the firm.

Even though much research have been conducted to understand the underpinnings of LPs, none of them accessed the strategic inclinations for attaining desired outcomes in the programs, justifying the proposed study of consumer decision-making in LPs for their epistemological advantage of parsimony.

4. Promotion, prevention, and consumer decision-making in LPs
4.1 Desired end-states in Loyalty Programs

Retailers tend to operationalize loyalty schemes through a reward system for purchase behavior. While there are variations among schemes, essentially consumers earn and accrue points, which they can then use to obtain various rewards e.g., free flights, cash-back, money-off, or free gifts. As Nunes and Drèze (2006, p. 129) note “to be attractive a program must
lead to redemption; that’s when the benefits really become most salient to the consumer”. For consumers, points collection and redemption are probably the most memorable components of their loyalty scheme membership.

According to previous research pertaining customer perceived benefits in LPs, participants derive value from the experience within the program (Holbrook, 1996; Keller, 1993), that is, what the program can provide or do for members. This experience includes both exposure (e.g., knowledge that after a certain number of purchases, the customer receives a coupon) and usage (e.g., redeeming the coupon). A review of previous research suggests that the benefits customers obtain from joining LPs consist of utilitarian benefits (monetary savings and convenience), hedonic benefits (exploration and entertainment) and symbolic benefits (recognition and social benefits) (Mimouni-Chaabane & Volle, 2009).

Utilitarian benefits are primarily instrumental, functional, and cognitive; provide consumer value by offering a means to some end. Babin, Darden, & Griffin (1994) suggest that people shop to accomplish the task of acquiring some object, among other reasons. Utilitarian benefits relate to basic motivations such as safety needs and usually correspond to a product’s tangible attributes. LPs offer utilitarian benefits through financial advantages suggesting that saving money is the main reason why customers should join the program (Bolton, Lemon, & Verhoef, 2004; Johnson, 1999; Peterson, 1995). Another type of utilitarian benefit LPs offer is convenience, that is, it minimizes the difficulty of choosing among alternatives, automating decision-making process and avoiding complex evaluations of available alternatives (Bolton, Kannan, & Bramlett, 2000) that way consumers develop enduring relationships with the company (Sheth & Parvatiyar, 1995). Mimouni-Chaabane and Volle (2009) also suggest that LPs can reduce consumer search and decision costs through value-added services such as exclusive reservations, easy payment desks, priority check-ins, and etc.

As mentioned previously, there is a fundamental distinction between two types of desirable end-states (Higgins, 1987): i-ideals, which refer to consumers’ aspirations, hopes, and wishes (e.g., wanting a beautiful house, dreaming of an exotic vacation); and ii-oughts, which refer to consumers’ obligations, duties, and responsibilities (e.g., having to provide for a child’s education, having to repay one’s debts). In LPs terms, the first proposed hypothesis of this study is that the nature of consumer’s goal in a LP – the product itself; the meaning for or the potential use by is likely to affect the states of promotion and prevention. Thus, utilitarian benefits should enhance prevention-focused regulation, that is, benefits as monetary savings and convenience (Mimouni-Chaabane & Volle 2009). On the basis of these assumptions the following hypothesis is derived:

**H1: Utilitarian benefits should enhance prevention-focused regulation, that is, benefits that offer monetary savings and convenience.**

Hedonic benefits derives from non-instrumental, experiential, emotional, and personally gratifying benefits (Hirschman & Holbrook, 1982) and may be associated with shopping, the use of media, and increased behavioral loyalty (Jones, Reynolds, & Arnold, 2006; McQuail, Blumler, & Brown, 1972). According to Mimouni-Chaabane and Volle (2009), hedonic benefits may be relevant for LPs through two dimensions: exploration and entertainment. Trying new or innovative products, satisfying curiosity about events and promotional offers, or seeking information to keep up with new trends represent examples of exploratory behaviors that consumer magazines or direct mail, for instance, can fulfill. Programs also enable customers to enjoy unique experiences that they would not have undertaken otherwise, because many organizations offer pleasure-providing incentives, such as getting to drive a Jaguar for a day or attending the opera, says Mimouni-Chaabane and
Volle (2009). In addition, because activities can be intrinsically appealing (Hirschman & Holbrook, 1982), LPs can provide joy and be an end in itself. Johnson (1999) argues that LPs attract customers due to the pleasure associated with collecting and redeeming points thus customers act like players and experience a feeling of entertainment.

The explanation above suggests that hedonic benefits offered by LPs should enhance promotion-focused regulation towards the desirable end-state of ideals, which refer to consumers’ aspirations, hopes, and wishes, as seen previously. Although this prediction has not been directly tested in a LP context, it has received ample support in other contexts. For example Pham and Higgins (2005) found that attribute information related to hedonic and aspirational benefits (e.g., luxury, sensory gratification, aesthetic) carries a greater weight under promotion than under prevention, whereas attribute information related to utilitarian and necessary features (e.g., safety, protection) carries a greater weight under prevention than under promotion. Safer (1998) also found that in choices between (a) products that score high on luxury dimensions but average on protection dimensions (e.g., a car with plush leather seats and regular brakes) and (b) products that score high on protection dimensions but average on luxury dimensions (e.g., a car with anti-locking breaks and regular fabric seats), promotion-focused individuals tended to choose the former, whereas prevention-focused individuals tended to choose the latter. Similarly, Aaker and Lee (2001) found that a fruit juice advertised in terms of energy benefits was evaluated more favorably by individuals with independent selves (who are more promotion-focused); on the other hand, a fruit juice advertised in terms of cancer prevention benefits was evaluated more favorably by individuals with interdependent selves (who are more prevention-focused).

These findings provide the basis for the following hypothesis:

**H2: Hedonic benefits should enhance promotion-focused regulation, that is, benefits that offer exploration and entertainment.**

Symbolic benefits are extrinsic advantages that products or services provide in relation to needs for personal expression, self-esteem, and social approval (Keller, 1993); result from intangible and often non-product related attributes. Because they build customer knowledge, LPs offer an opportunity to differentiate and discriminate among customers who likely perceive customized offers as a sign of respect and distinctiveness. Consumers consequently may experience recognition benefits, they may feel like the firm and frontline personnel treat them better than they would treat nonmembers of the program (Gwinner, Gremler, & Bitner, 1998). LPs further focus on not merely the product but also the experience of ownership and consumption (McAlexander, Schouten, & Koenig, 2002). Consequently, the programs enhance perceptions of social benefits (Liberman et al., 1999), such that members consider themselves part of an exclusive group of privileged customers, identify themselves with that group, and share values associated with the brand (Muniz & O’Guinn, 2001).

It is also predicted that symbolic benefits should inspire consumers to look at their aspirations, hopes and dreams, related to the attaining of ideals, in this case looking at intangible options or non-product related attributes. As stated previously, in choices between the status quo and a new option, promotion will increase preference for the new option, whereas prevention will increase preference for the status quo (Liberman et al., 1999). This would imply that promotion-focused individuals would see the symbolic benefit offered by the program as an opportunity to change their status of just another costumer to a differentiated one. In contrast, prevention-focused individuals should see the benefits as sacrifices to be made to attain a new status quo, which may present greater risk of having to spend too much in order to have a simple change in their status quo, not worth it. This prediction has also not been tested in a LP context.
These considerations justify another hypothesis:

**H3: Symbolic benefits should enhance promotion-focused regulation, but not prevention-focused regulation.**

In the next session, the strategic inclinations for attaining the desired end-states in LPs are discussed in depth.

4.2 Strategic inclinations for attaining desired end-states in LPs

As mentioned previously, according to RFT (Higgins, 1997, 1998) consumers should adopt strategic means for self-regulation toward desired end-states – approach oriented or avoidance oriented. And self-regulation dominated by strategic means that are approach oriented is called promotion-focused, and self-regulation dominated by strategic means that are avoidance oriented is called prevention-focused. Therefore, promotion focused self-regulation is more likely in the pursuit of goals that are related to advancement and accomplishment whereas prevention focused self-regulation is more likely in the pursuit of goals that are related to security and protection. Promotion focused self-regulation is characterized by greater eagerness, that is, they are primarily concerned with insuring “hits” and minimizing “errors of omission”. In contrast, prevention focused self-regulation is characterized by greater vigilance, that is, they are concerned with insuring “correct rejections” and minimizing “errors of commission” (Crowe & Higgins, 1997; Pham & Higgins, 2005). The hypotheses that arise from this discussion are concerned with the strategic inclinations for attaining desired end-states in LPs, as seen above, benefits customers obtain from joining LPs consist of utilitarian benefits (monetary savings and convenience), hedonic benefits (exploration and entertainment) and symbolic benefits (recognition and social benefits) (Mimouni-Chaabane & Volle, 2009). Pham and Higgins (2005) justify studying consumer decision-making along these strategic inclinations for their epistemological advantage of parsimony. Thus, a review of the main decision-making processes consumers undergo in LPs should follow the discussion.

Scheme design is one of the most discussed issues in LPs research. As O’Brien and Jones (1995) argue, it may affect redemption motivations and behaviors. The ease of use, understanding of the scheme, speed of points accumulation, and the likelihood of attainment of desired rewards would seem likely to impact motivations to participate and to redeem (Smith & Sparks, 2009). For example, Sharp and Sharp (1997) show that most people do not understand the complexities of points accumulation and redemption. This complexity and lack of understanding probably reduces motivations and constrains redemption. Conversely a scheme that is simple to understand and in, which redemption is operationally easy is likely to motivate consumers to redeem and to positively enhance their perceptions of the business (Smith & Sparks, 2009).

RFT suggests that under promotion, consumers will evaluate options relying on more heuristic modes of evaluation; whereas, under prevention, consumers will evaluate options relying on more systematic modes of evaluation. As Förster et al. (2003) and Pham and Avnet (2004) concluded, eagerness should theoretically encourage the reliance on heuristic modes of judgment, which include the reliance on internal knowledge structures, in contrast, vigilance should encourage scrutiny of the environment and thus the reliance on external information (Bless et al., 1996, Förster et al., 2000). These findings suggest that, concerning the ease of use of the program, promotion-oriented individuals should find it easier to accumulate points and redeem, whereas prevention-oriented individuals should find it more difficult to accumulate points and redeem.
Förster et al. (2003) found that promotion-oriented individuals tended to perform tasks with greater speed and lower accuracy, whereas prevention-oriented individuals tended to perform the same task with lower speed but greater accuracy. This is presumably because promotion induces eagerness in task performance, whereas prevention induces vigilance (Higgins, 1997). The prediction for LPs is that promotion-focused individuals will accumulate points with greater speed though not paying much attention to the attainment of the desired reward; whereas prevention-focused individuals will accumulate points in a lower speed though paying more attention to the attainment of the desired reward.

The discussion leads to the following hypotheses:

**H4a:** Promotion-oriented individuals should find it easier to accumulate points and redeem, whereas prevention-oriented individuals should find it more difficult to accumulate points and redeem in LPs.

**H4b:** Promotion-focused individuals will accumulate points with greater speed though not paying much attention to the attainment of the desired reward; whereas prevention-focused individuals will accumulate points in a lower speed though paying more attention to the attainment of the desired reward.

Another important issue very much discussed in LPs context is effort. Redemption normally requires effort. Kivetz and Simonson (2002) define effort as a combination of the amount spent and the type of scheme. The redemption scheme mediates the perception of effort required to reach desired outcomes (e.g., perceived value of loyalty points). Hsee, Yu, Zhang, & Zhang (2003) show experimentally that consumers take an unbalanced view between effort and accumulating points, and points accumulation and outcome attainment. Dowling and Uncles (1997) suggest that delayed rewards are less successful in producing activity and loyalty, due both to time taken to accumulate sufficient points to spend and the ease (or lack) of actually spending these points. Such issues have been brought together in a study of customer frustration in LPs (Stauss, Schmidt, & Schoeler, 2005), which shows how failure or problems with redemption can have negative impacts on consumer motivations and behaviors.

Assuming that promotion-focused consumers are more influenced by positive affective cues than by negative affective cues, whereas, prevention-focused consumers are more influenced by negative substantive information than by positive substantive information (Pham & Avnet, 2004), the hypothesis for LPs is that promotion-focused individuals should be more influenced by the attaining of the desired reward (positive affective cues) than by the effort required by the program (negative affective cues), whereas prevention-focused individuals should be more concerned by the effort required by the program (negative substantive information) in detriment to the desired reward (positive substantive information). The following hypothesis derives from the discussion:

**H5:** Promotion-focused individuals should be more influenced by the attaining of the desired reward than by the effort required by the program, whereas prevention-focused individuals should be more influenced by the effort required by the program in detriment to the desired reward.
5. Conclusions, Implications, and Further Research

In this study, I present some ideas for further investigation that may help researchers better understand the construct of regulatory focus in loyalty program contexts. A theoretical investigation of the self-regulation theory was drawn upon to explain consumer decision-making in loyalty programs and three key questions were raised: (1) What is the desired end-state of a consumer in a LP?; (2) What are the means to achieving the desired end-state? and; (3) What is the dominant system that influences consumer decision-making in a LP? To answer these questions, I begin the analysis with a brief review of the major tenets of RFT and consumer decision-making, followed by a contextualization of LPs and finally, a series of theoretical propositions about the effects of promotion and prevention self-regulation modes on consumer decision-making in LPs is presented and discussed.

The review of previous research suggests that the benefits customers obtain from joining LPs consist of utilitarian benefits (monetary savings and convenience), hedonic benefits (exploration and entertainment) and symbolic benefits (recognition and social benefits) (Mimouni-Chaabane & Volle, 2009) and the first hypotheses of the study derive from these assumption. Hypothesis one suggests that utilitarian benefits should enhance prevention-focused regulation, whereas hypothesis two and three assume that hedonic and symbolic benefits should enhance promotion-focused regulation.

The next hypotheses derived from a discussion about the strategic inclinations for attaining desired end-states in LPs, as seen above, benefits customers obtain from joining LPs. To begin the analysis, a review of the main decision-making processes consumers undergo in LPs followed the discussion. According to past researches concerning the ease of use of the program, promotion-oriented individuals should find it easier to accumulate points and redeem, whereas prevention-oriented individuals should find it more difficult to accumulate points and redeem. Another prediction of this study is that promotion-focused individuals will accumulate points with greater speed though not paying much attention to the attainment of the desired reward; whereas prevention-focused individuals will accumulate points in a lower speed though paying more attention to the attainment of the desired reward. And the final prediction is that promotion-focused individuals should be more influenced by the attaining of the desired reward (positive affective cues) than by the effort required by the program (negative affective cues), whereas prevention-focused individuals should be more concerned by the effort required by the program (negative substantive information) in detriment to the desired reward (positive substantive information).

Most researchers now recognize that loyalty is not a uni-dimensional construct, but involves attitudinal as well as behavioral components (Dick and Basu, 1994). In LPs the implicit belief is that the scheme operation will provide a mechanism for both repeat purchase and improved perceptions of the company involved. Either single or multiple acts of points redemption impact consumers’ ongoing perceptions of the business and the loyalty scheme as well as their likely future purchasing behaviors. It is important to understand the driven motivations of consumers’ acts in LPs to better market these programs. Regulatory focus is an important phenomenon that helps understand and illuminate researchers attempting to bridge consumer behavior and basic motivations. The work of Higgins (1997, 1998) is directly applicable and highly useful in understanding consumer behavior principles.

One final suggestion is offered. The organization of the predictions along well-defined stages of the decision-making process is mostly a matter of convenience, as also mentioned by Pham and Higgins (2005) on their work proposition. One should not forget that in reality consumer decision-making is inherently dynamic, and not purely linear. Therefore, analyzing the dynamics of promotion and prevention throughout the decision-making process would be an important extension of the ideas presented as well as in actual LP contexts, which was not part of this study.
References


